

# How to create better locational signals

---

## Focus on better, more granular locational signals

- GDA defined by two tests which both need to be satisfied at each primary substation
- Test 1 = if(net generation > firm capacity of substation in the summer) then possible GDA
- Test 2 = if(net generation > max demand less min generation) then possible GDA
- Growth factors are inaccurate and create distortions, particularly large growth rates which compound quickly
- System should be governed by actual head room at each primary substation
- Positive head room => credit for generators and charge for demand
- Negative headroom => charge for the marginal generator and credit for marginal demand
- Headroom data and credits/charges published annually, to take effect 18 months from publication. Credits/charges apply from date of commissioning
- Discount to headroom can be applied to help DNO's manage real time and ensure methodology is forward looking

## Keep credit philosophy the same

- If charges are set correctly, and a primary is not a GDA, then generation = negative demand
- Credits should stay as the equal and opposite of the system charge (non residual)

## Keep banding system the same

- Bands set across licenced areas to aggregate peak risk (like insurance) => avoids one off factors + administratively simple for DNOs and Suppliers
- Costs already allocated into timebands by weighting peak probabilities at substations
- DNO/DSO should have the flexibility to procure different time based services at specific substations (e.g. overnight for economy 7)